

ICELANDAIR GROUP HF. NOMINATION COMMITTEE REPORT 2022

1. Summary

The main focus of the Nomination Committee of Icelandair Group (the “Company”) during this operating year has been to:

- Advice shareholders on the proposed changes to the Board of Directors in July 2021
- Revisit the company’s strategy and business plan in order to re-evaluate and update the criteria for nominating Board members.
- Interview members of the Board of Directors, CEO and members of the management team to evaluate the effectiveness of the current Board.
- Meet with shareholders to get insights into their perspectives.

Following meetings with the Company’s management, the conclusion was that only minimal changes would be needed to the criteria. The Company’s long-term focus points and strategy are generally the same as before despite prolonged difficulties and changes in the aviation market resulting from the COVID-19 pandemic.

Following review of the criteria for nominating board members, the Nomination Committee interviewed board members and the management team of the Company. The objective was to assess the current board composition in terms of cooperation, trust, efficiency and the changes which had been made to the Board of Directors. The interviews, along with the self-assessment of the Board of Directors, indicate that the changes which have been made to the board composition have been successful. The cooperation within the Board has been good and Guðmundur Hafsteinsson has full trust to lead the Board. He has been able to maintain good working relationship with the Company’s CEO.

It is the unanimous opinion of the Nomination Committee that it will be in the best interests of the Company to renew the mandate of the current Board of Directors for the upcoming year. The individuals within the board thoroughly cover the necessary knowledge and experience required for the Board of Directors of Icelandair Group. As a result, the Nomination Committee suggests that the following candidates will be elected to Icelandair Group’s Board of Directors:

1. Guðmundur Hafsteinsson
2. John F. Thomas
3. Matthew Evans
4. Nina Jonsson
5. Svafa Grönfeldt

2. Criteria for Nominating Board Members

Following discussions with the Company's CEO on the strategy going forward the Nomination Committee re-evaluated its criteria for nominating board members. The COVID-19 pandemic has had significant impact on the Company's operations for the previous two years. However, the strategy going forward remains the same in general.

The Nomination Committee concluded that there was no need to make significant changes to its criteria for nominating board members. However, slight changes were made to terms to better reflect the Company's strategy and vision. Furthermore, experience and understanding of the "Spirit of Iceland" replaced experience within the Tourism Industry in the criteria. Icelandair's main vision is bringing the spirit of Iceland to the world. Thus, it is the view of the Nomination Committee that experience and understanding of this important vision of the Company is needed within the Board of Directors. This also reflects the view of the Nomination Committee that the Board of Directors of the Company needs to have a presence in Iceland and that further steps to move the board further away from Iceland would not be advised.

The conclusion was that Board candidates should be evaluated on the following factors:

1. General personal characteristics which are necessary for all board members.
2. Knowledge and experience regarding the Company's core business.
3. Knowledge, experience and capabilities to support and implement the Company's strategic decisions for the upcoming years.

Furthermore, the Nomination Committee agreed on the following criteria for each of the factors above:

1. General Personal Characteristics
 - Experience from board member positions
 - Experience from management positions
 - International business experience
 - Broad network
 - Solid reputation
 - Independence and critical thinking
 - Strong social skills and self-confidence
2. Knowledge and Experience from the Company's Core Business
 - Experience from international airline operations
 - Knowledge and experience from strategic implementation
 - PR/Branding experience
 - Knowledge of data driven decision making
 - Experience and understanding of the Spirit of Iceland
 - Experience of human resources management and union relations.

3. Knowledge and Experience regarding the Company's Strategy
 - Distribution strategy
 - Customer focus
 - Network and fleet strategy
 - Strategic partnerships
 - Environmental & Sustainability Opportunities

It is the conclusion of the Nomination Committee that these criteria reflect the qualifications needed for a strong board member of Icelandair Group. During meetings with shareholders in past years the Committee has received widespread support regarding the criteria. As a set, the criteria should be important and relevant for the Company's board members in both the short-term and the long run. Over time some criteria may become more important and others less so based on industry trends and major topics facing the Company at the given time.

3. Evaluation of Icelandair Group's Current Board Composition

At Icelandair Group's Annual General Meeting in March 2021 the following five individuals were elected to the Board of Directors:

- Guðmundur Hafsteinsson
- John F. Thomas
- Nina Jonsson
- Svafa Grönfeldt
- Úlfar Steindórsson

In July 2021, Icelandair Group called a shareholders' meeting to submit a subscription agreement made with Bain Capital for the approval of its shareholders. The Board of Directors also proposed that Mr. Matthew Evans would replace Mr. Úlfar Steindórsson as a board member effective immediately. A formal board election was not scheduled at the meeting so the Nomination Committee was not required to submit an advisory opinion to shareholders with nomination of candidates. However, the Nomination Committee considered it reasonable to assess the proposed changes to the Board of Directors on the composition of the board in order to assist shareholders in deciding on the proposal.

The Nomination Committee noted that Mr. Úlfar Steindórsson had been a valuable board member for the Company, had performed his role with distinction and had been the undisputed leader of the Board of Directors. It was noted that he was well connected within the Icelandic business environment, had the longest-tenure as a board member and that his knowledge and experience had been vital during the successful financial restructuring of Icelandair Group.

The conclusion of the Nomination Committee was that the equity injection from Bain Capital would further support the Company during the ramp-up and leveraging on the market opportunities ahead in the international aviation market. The Nomination Committee believed

that Mr. Evans could bring valuable knowledge to Icelandair Group's Board of Directors along with a clear focus on long-term success and value creation which would benefit all shareholders. Thus, the Nomination Committee proposed to the shareholders that they would approve the proposed changes to the Company's Board of Directors. The proposal was approved by the shareholders at the meeting and subsequently Mr. Guðmundur Hafsteinsson became the Chairman of the Board of Directors.

The main focus of the Nomination Committee following the shareholders' meeting has been to evaluate the new board composition and assess whether the Board of Directors is working well as a team. Everything indicates that the board members have broad knowledge and experience covering all the aspects of the Nomination Committee's criteria. However, it was necessary to assess the new board composition in terms of efficiency, cooperation with the management team, whether the Board of Directors had managed to work successfully together and whether any weaknesses had emerged which would require changes to the board composition.

The two Nomination Committee members elected by shareholders interviewed each board member individually along with the Company's CEO, CFO and General Counsel. Furthermore, the Nomination Committee received the self-assessment of the Board regarding their work and cooperation during the year. The interviews, along with the self-assessment of the Board of Directors, indicate that the changes which have been made to the board composition have been successful. The cooperation has been good despite minimal nuances regarding the boundaries between the role of the Board of Directors and the role of the management team. This has already been addressed at the Board level during review of its self-assessment for the year.

It is the view of the Nomination Committee that Guðmundur Hafsteinsson has full trust as the Chairman and has been able to maintain the important good working relations with the Company's CEO. The former Chairman, Úlfar Steindórsson, was the undisputed leader of the group and had vast experience within the Icelandic business industry. However, Guðmundur Hafsteinsson, has different strengths and has focused further on customer experience and data driven decision making. These factors will be even more important going forward since changes have been made to Icelandair Group's organizational structure which shift more focus towards the customer and digital solutions.

In summary, the information received by the Nomination Committee indicates that the board, as a whole, covers all of the factors important for a strong board for the Company. Furthermore, there are not any major indications of weaknesses which justify changes to the Board of Directors at this point in time. However the Board itself has identified and agreed on points of improvements going forward. In order to maintain continuity, the Nomination Committee recommends against changes to the board composition at this time.

It should be noted that three members of Icelandair Group's Executive Committee have left the Company since the last AGM. The interviews of the Nomination Committee indicate that a stronger retention plan along with a reviewed compensation structure for the senior

management might be needed. It is an ongoing risk factor for the Company that it might lose its top talent individuals who might not be adequately compensated due to high workload and extensive responsibilities.

4. Evaluation of Candidates

The Nomination Committee has proactively searched for prospective candidates which would strengthen the Company's Board of Directors. This is done in order to evaluate whether the board may be strengthened further and be prepared in case of any unexpected resignations from board members and to prepare for future recommendations to shareholders. No prospective candidate contacted the Nomination Committee to express interest in becoming a member of the Board of Directors of the Company during the operating year.

The Board of Directors is composed of highly capable board members which have managed to work well together as a group during a challenging period. The cooperation between the Board of Directors and the CEO has also been effective but not without minor nuances. It is the opinion of the committee that the Company will benefit from the continuing services of all current board members. The current Board of Directors will be well suited to execute a fast ramp-up in cooperation with the Company's management team following the COVID19 crisis.

The current Board of Directors is composed of individuals with different backgrounds which can contribute to different aspects of the Company's core business. Generally, the board members have served the Company for a short period of time (1-4 years).

As previously mentioned, the current board members have managed to work successfully together during difficult circumstances and have the abilities to make valuable contribution to the Company going forward. Furthermore, the cooperation between the Board of Directors and the CEO has been good for the most part. This further indicates that changes should not be made to the board at this time in order to ensure continuity.

4.1 Guðmundur Hafsteinsson

Guðmundur Hafsteinsson is in his 40's and is an investor and entrepreneur. He is the founder and CEO of Fractal 5, a startup focusing on helping people living a better social life through technology. He was the Head of Product for Google Assistant at Google, a position he held from 2014 to 2019. He joined Google in 2014 subsequent to the merger of Google and Emu, a chat based virtual assistant start-up he founded in 2012. Prior to the founding of Emu, he was VP Product at Siri, and stayed on after the acquisition by Apple through the launch of Siri on iPhone. Prior to Siri/Apple, Guðmundur was a Senior Product Manager at Google, where he managed the initial launches of Google Maps for mobile and Google Voice Search. Guðmundur holds an MBA degree from MIT and a B.Sc. degree in Electrical and Computer Engineering from the University of Iceland. Guðmundur joined Icelandair Group's Board of Directors in March 2018.

Guðmundur is an experienced executive from the tech industry with broad management and board member experience both in Iceland and in the US. He possesses all the General Personal Characteristics required for a strong Board member according to the Nomination Committee's best knowledge.

Guðmundur brings a wealth of knowledge and experience regarding customer focus and data driven decision making. Moreover, he is experienced with strategic implementation, PR/Branding and Human Resources management. During his four years as a member of Icelandair Group's Board of Directors he has amassed knowledge and experience of international flight operations and the spirit of Iceland.

Through his experience from the tech industry, Guðmundur is able to bring a valuable perspective to the Company's Distribution Strategy and Customer Focus initiative. Moreover, as part of the Company's Board over the last four years, Guðmundur has become well versed in Network & Fleet Strategy, Strategic Alliance matters and Environmental Issues.

Selected criteria covered:

- Data driven decision making
- Customer focus

It is the conclusion of the Nomination Committee that according to the Guidelines Guðmundur is independent of the Company, its management and significant shareholders.

4.2 John F. Thomas

John F. Thomas is in his 60's and he is the owner and CEO of Waltzing Matilda Aviation LLC, a jet charter and aircraft management company based in Boston that he founded in 2008. In 2016-2017, Mr. Thomas was Group Executive at Virgin Australia Airlines where he led a financial turnaround as CEO of a AU\$ 4.0bn (appr. USD 3bn) full-service airline with over 6,000 employees and 125 aircraft, and from 1990-2016 he was with the global strategy consulting firm L.E.K. Consulting, as a Managing Director/Senior Partner. From 1995 he created and led L.E.K's Global Aviation Practice for over 20 years. He also sits on the Board of SkyService Inc. the largest corporate aviation provider in Canada where he also Chairs its Health and Safety committee. He continues to provide advisory work to the global airline industry. Mr. Thomas holds an MBA degree from Macquarie University Graduate School of Business (which included 9 months at the MBA program at INSEAD) and a Bachelor of Commerce degree from the University of New South Wales. He joined the Board of Icelandair Group on 6 March 2020.

Mr. Thomas is a renowned international strategy consultant turned senior executive with wide-ranging experience from the global aviation industry. He has broad management and board member experience from North America, Latin America and Asia Pacific. He possesses all the General Personal Characteristics required for a strong Board member according to the Nomination Committee's best knowledge.

Mr. Thomas is highly knowledgeable and experienced with international airline operations, Icelandair Group's core business. He has deep knowledge and experience with strategy implementation, international tourism, strategic alliances and human resources management and communications with unions.

Mr. Thomas's wide-ranging experience from the international airline industry provides a valuable perspective on all aspects of Icelandair Group's strategy.

Selected criteria covered:

- Experience from international airline operations
- Distribution strategy
- Strategic alliances

It is the conclusion of the Nomination Committee that according to the Guidelines John is independent of the Company, its management and significant shareholders.

4.3 Matthew Evans

Mr. Evans is in his 30's and he joined Bain Capital Credit in 2009 where he is currently a Managing Director overseeing investments in the Aviation, Aerospace & Defense and Industrial sectors. He sits on a number of portfolio company boards and has led the development of several external partnerships and joint ventures within the aviation sector. Since mid-2020, Bain Capital has been the sole owner of Virgin Australia, the second largest airline in Australia.

Mr. Evans received a B.A. Phi Beta Kappa, summa cum laude from Yale University.

Selected criteria covered:

- Experience from international airline operations
- Network and fleet strategy
- Data driven decision making

It is the conclusion of the Nomination Committee that according to the Guidelines Matthew is independent of the Company and its management. However, he became a board member as the representative of the Company's largest shareholder.

4.4 Nina Jonsson

Nina Jonsson (Jónína Ósk Sigurðardóttir), is in her 50's and is currently active as an advisor to the global airline industry's executive teams and as a board member. In addition to her role as Senior Advisor with Plane View Partners, Ms. Jonsson is the Chairman of FLYHT Aerospace Solutions, a Canadian aircraft data-streaming technology leader. She also serves on the Advisory Boards of Waltzing Matilda Aviation, a Boston based operator launching a new ESG-focused airline, and Houston based Genesis Park, a private equity firm specializing in the SPAC market.

Between 2015 and 2017, she held the role of Senior Vice President Group Fleet at Air France-KLM Group where she was responsible for group-wide fleet strategy, aircraft sourcing, leasing and sales. Previously, Ms. Jonsson held a number of other executive positions within the aviation industry including Fleet Management Officer at the Bristow Group (2012-15), Director Fleet Planning at United Airlines (2006-2011) and Director Fleet Management at US Airways (2002-2005). Ms. Jonsson holds an MBA degree from Rensselaer Polytechnic Institute and a B.Sc. degree in Air Transport Management from the University of New Haven. Nina joined Icelandair Group's Board of Directors in March 2020. She is a dual citizen of Iceland and the US.

Nina Jonsson is a seasoned airline and aviation executive with over 30 years of industry experience at three major international airlines. She has broad management and board member experience from both Europe and North America. She possesses all the General Personal Characteristics required for a strong Board member according to the Nomination Committee's best knowledge.

Ms. Jonsson is highly knowledgeable and experienced with international airline operations, Icelandair Group's core business. She has knowledge and experience in strategy development in the context of aviation, PR/Branding, and human resources management. Furthermore, fleet optimization, network and fleet economics and the operational integration of new fleet types are among her areas of expertise. She has worked as a Fleet Management Officer and Senior Vice President Group Fleet at major airlines and has advised airlines on matters related to fleet acquisition, negotiation and operational implementation of fixed wing and rotary aircraft.

Ms. Jonsson's wide-ranging experience from the international airline industry provides a valuable perspective on all aspects of Icelandair Group's strategy.

Selected criteria covered:

- Experience from international airline operations
- Network and fleet strategy

It is the conclusion of the Nomination Committee that according to the Guidelines Nina is independent of the Company, its management and significant shareholders.

4.5 Svafa Grönfeldt

Svafa Grönfeldt is in her 50's and is a Professor of Practice at the Massachusetts Institute of Technology. She is a founding member of MIT's newest innovation accelerator DesignX focused on the design and development of technology- and service-based ventures created at MIT. Svafa is the co-founder of The MET fund, a Cambridge based seed investment fund. She is a member of the Board of Directors of Icelandair Group since 2019, Board of Directors of Össur since 2008 and Marel since 2021. Previous positions include executive leadership positions at two global life science companies where she served as Chief Organizational

Development Officer of Alvogen and Deputy to the CEO of Actavis Group. Her executive career has been focused on organizational design for high growth companies, strategy implementation, service process design for operational improvement and performance tracking. She is a former President of Reykjavik University.

Svafa is an experienced senior executive with broad management and board member experience from education, pharmaceuticals, orthopedics, IT and finance. She possesses all the General Personal Characteristics required for a strong Board member according to the Nomination Committee's best knowledge.

Svafa is a renowned expert in strategic implementation and has valuable experience with PR/Branding, digital solutions and data utilization, and human resources management. During her three years as member of Icelandair Group's Board of Directors she has amassed knowledge of and experience with international airline operations and the Icelandic tourism industry.

During her time as Board member, Svafa has worked closely with Company management on the Company's strategy and strategy implementation. As a result, she has detailed insight into most aspects of the Company's strategy.

Selected criteria covered:

- Knowledge and experience from strategic implementation
- PR/Branding experience

It is the conclusion of the Nomination Committee that according to the Guidelines Svafa is independent of the Company, its management and significant shareholders.

The gender quota set forth in the Icelandic Companies Act no. 2/1995 and the Company's Articles of Association would be met since the Board would be composed of three males and two females.

5. Role of the Committee

Icelandair Group's Nomination Committee was established at the company's Annual General Meeting on 8 March 2019. It was resolved that the company should operate a nomination committee which has the role to be advisory in the selection of members of the Board of Directors. The committee would bring its proposal for the Annual General Meeting or other Shareholders' meetings where election to the Board of Directors is on the agenda.

The main role of the committee is to put forward a complete proposal of the composition of the board of the Company and ensure that the board jointly covers all necessary criteria as defined by the Nomination Committee. As such, the Nomination Committee can create value for the company since it can suggest a group of individuals which complement each other through different qualities and capabilities.

The Nomination Committee shall put forward its reasoned opinion concurrently to the notification of the Annual General Meeting or as soon as possible in conjunction with other shareholder meetings. The committee’s opinion shall be made available to shareholders in the same way as other proposals to be submitted to the meeting. The committee operates according to rules of procedures which are set by the committee itself and approved by the Board of Directors.

6. Composition

The Nomination Committee shall consist of three members. The shareholders shall elect two members, one male and one female, directly at the Annual General Meeting. Subsequently, the Board of Directors will nominate one member to the committee. All members shall be independent of the Company and its executives. The member nominated by the Board of Directors shall be independent of the Company’s largest shareholders. The same criteria shall apply to the assessment of independence of Committee members as to the assessment of the independence of Board Members according to The Guidelines on Corporate Governance issued by the Iceland Chamber of Commerce, SA Business Iceland and Nasdaq Iceland (the “Guidelines”).

At Icelandair Group’s Annual General Meeting in March 2021 Mr. Hjörleifur Pálsson and Ms. Helga Árnadóttir were re-elected to the Nomination Committee by the Company’s shareholders. Subsequently, Mr. Úlfar Steindórsson, chairman of the board, was re-elected to the Nomination Committee as the representative of the company’s Board of Directors. He remained as the representative of the Board of Directors in the Committee following the shareholders’ meeting in July 2021. Ari Guðjónsson, the General Counsel of the Company, was appointed the Secretary of the Committee. The Nomination Committee had an open line of communications for questions or suggestions and all of the Company’s largest shareholders were informed of that line of communications.

7. Activities during the year

The Nomination Committee has conducted the following activities during the year:

	Business of Committee meetings
May 2021	<ul style="list-style-type: none"> • Assignment of tasks • Proposal submitted on amendment on Rules of Procedures for the Nomination Committee • Appointment of Committee Secretary • Work schedule agreed for the operating year

November 2021	<ul style="list-style-type: none"> • Discussions on the Company's strategy and key operating factors. • Discussions on criteria for board members • Preparation of meetings with board members, senior management and shareholders
December 2021	<ul style="list-style-type: none"> • Individual meetings with board members, CEO, CFO and General Counsel. • Review of the self-assessment of the Board of Directors.
January and February 2022	<ul style="list-style-type: none"> • Discussions on the meetings with board members, CEO, CFO and General Counsel. • Further preparations for meetings with the largest shareholders. • Meetings with the Company's major shareholders. • Discussions on the views of shareholders, board members and management. • Final assessment of the qualifications of individual candidates submitted to the Board of Directors. • Proposal on the composition of the Board of Directors. • Preparations of a report on the work of the Nomination Committee. • Other preparations for the Annual General Meeting.

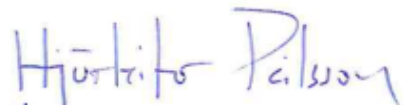
8. Proposal

The Nomination Committee proposes that the following candidates, listed in alphabetical order, be elected to the Board of Directors of Icelandair Group hf. at the Company's Annual General Meeting on 3 March 2022:

- Guðmundur Hafsteinsson
- John F. Thomas
- Matthew Evans
- Nina Jonsson
- Svafa Grönfeldt

In accordance with clause 1.3.1 of the Guidelines on Corporate Governance, the Nomination Committee will propose a Chairman for the Company's Annual General Meeting. The Committee proposes that Mr. Ólafur Arinbjörn Sigurðsson, attorney at law, will be elected as the Chair of Icelandair Group's Annual General Meeting in 2022.

Reykjavík,
7 February 2022



Hjörleifur Pálsson



Helga Árnadóttir



Úlfar Steindórsson